



## GOVERNOR'S TRANSACTION PRIVILEGE TAX SIMPLIFICATION TASK FORCE MINUTES

Tuesday, October 23, 2012

1:30 PM

1700 W. Washington, Governor's 2<sup>nd</sup> Floor Conference Room  
Phoenix, Arizona 85007

A public meeting of the Transaction Privilege Tax Simplification Task Force was convened on October 23, 2012 in the 2<sup>nd</sup> Floor Conference Room, 1700 West Washington, Phoenix, Arizona 85007. Notice having been duly given. Present and absent were the following members of the Task Force.

### Members Present

Michael Hunter (Chair)  
John Olsen  
Miguel Teposte  
Tom Belshe  
Kevin McCarthy  
Steve Barela

Keely Hitt  
Lynne Herndon  
Vince Perez  
Senator John McComish  
Representative Rick Gray

### Members Absent

Linda Stanfield

### Others Present

Lorna Romero, Governor's Office  
Lindsay Scornavacco, Governor's Office  
Chris McIsaac, Governor's Office  
Jennifer Solis, Department of Revenue

Patrick Irvine, Fennemore Craig  
Craig McPike, Snell & Wilmer  
Dennis Hoffman, L. William Seidman  
Research Institute

### 1. Call to Order

Michael Hunter called the meeting to order at 1:41 p.m.

### 2. Approve Previous Meeting Minutes

Tom Belshe made a motion to approve the minutes from the past four TPT Task Force meetings.

Steve Barela seconded the motion.

The Task Force unanimously approved the minutes.

### 3. Presentation: The Need for State and Local Sales Tax Reform in Arizona

Jim Eads from Ryan, a state tax consulting firm, gave a presentation on the need for state and local sales tax reform in Arizona. His presentation covered the history and current status of the streamline movement, the three pieces of federal legislation covering the issue and the need for Arizona to

simplify its tax policy.

**a) Task Force Discussion**

Vince Perez asked Mr. Eads what he thought about a potential fourth bill going through Congress.

Mr. Eads stated there are rumors of a fourth piece of legislation aimed to be more bipartisan. He continued that this is difficult because many in Congress view these efforts as a tax increase. Because there is not a lot of pressure on Congress to address this issue, it may have to be attached to a piece of legislation that must pass.

Kevin McCarthy asked Mr. Eads to elaborate on why large market states would be opposed to the streamline movement.

Mr. Eads stated that traditionally large market states feel they are already collecting a lot of the discussed revenue. They do not see a point to joining streamline and adopting restrictions. He continued that these states are not in active opposition of streamline though they are not joining. He also stated that a lot of internet sales are business to business transactions and the majority of them are use tax compliant.

Mr. McCarthy asked if the Fox study validates the notion that these large market states are not collecting all of their potential revenue.

Mr. Eads answered yes. The Fox study finds revenue losses in those states. He continued that some states debate the amount of revenues they may be losing.

**4. Report from State and Local Standardization Working Group**

Patrick Irvine, Chair of the State and Local Standardization Working Group, gave a presentation on the progress of his working group. Mr. Irvine stated the working group agrees on the need to standardize provisions of the TPT and to standardize the administration of the TPT. The goal for TPT administration is to provide a filing, payment and audit system for the taxpayers that has a single licensing contact, a single return, a single audit and a single tax base. The next working group meeting will take place on November 6<sup>th</sup> and will focus on identifying pathways to these goals.

**a) Task Force Discussion**

Mr. Hunter commented the working group will know that day if all of the Task Force's effort is for naught if Prop 204 passes.

**5. Report from Online Retail Working Group**

Dennis Hoffman, Chair of the Online Retail Working Group, gave a presentation on the progress of his working group. He stated the working group has been focused on a single base for simplification purposes and also to be able to take advantage of pending federal legislation. Mr. Hoffman emphasized that discussing revenue impacts is outside the purview of the working group. The Online Retail Working Group is focused on leveling the playing field, eliminating distortions and making the system work for taxpayers.

**a) Task Force Discussion**

No comments were made.

**6. Report from Contracting Working Group**

Craig McPike, Chair of the Contracting Working Group, gave a presentation on the progress of his working group. He stated that additional information is needed to determine fiscal implications of recommendations from the working group. The group has agreed upon a shift in structure to a materials based tax. Agreement is still needed on whether the materials tax should be paid at the vendor's location or at the site of construction. Mr. McPike stated recommendations can be made on a conceptual basis to allow flexibility for the future.

**a) Task Force Discussion**

No comments were made.

**7. Topics for Future Task Force Meetings**

Mr. Hunter stated he greatly appreciates the efforts of the working group chairs. He asked everyone to remain flexible for the potential need for additional task force meetings. He continued that this is a very transparent, public process and that as recommendations come forward they need to be deliberated in public.

**a) Task Force Discussion**

Senator McComish recommended scheduling any additional meetings on Tuesday afternoons so that everyone can keep their schedules consistent.

**8. Call to the Public**

No members of the public signed in to speak.

**9. Adjournment**

Mr. Hunter adjourned the meeting at 3:07 p.m.